



Honorable Rob Portman  
United States Trade Representative  
Office of the U.S. Trade Representative  
600 17<sup>th</sup> Street NW  
Washington, DC 20508

27 May 2005

Dear Ambassador Portman,

We at the National Small Business Association are writing to express our views on the proposed free trade agreement with Central American and the Dominican Republic (CAFTA – DR).

Founded in 1937, NSBA is the nation's oldest nonprofit advocacy organization for small business. We represent more than 150,000 small and mid-sized businesses in all 50 states. Our affiliated organization, the Small Business Exporters Association of the United States, is the nation's oldest and largest association representing smaller exporting companies.

The United States faces a large and growing trade deficit. There are essentially two ways we can deal with it – restricting imports or boosting exports. Artificially restraining imports tends to lower the U.S. standard of living generally. Rather than simply playing defense on imports, we should go on the offense with expanded exports. The U.S. is already the world's second-largest exporter (behind Germany, and well ahead of China and Japan). We know how to sell abroad. We just have to do more of it. To succeed, we must make foreign markets more accessible to U.S. goods and services. That is exactly what CAFTA-DR would do, and that is why NSBA supports the agreement.

The recent trade agreements with Australia and Morocco, which Congress approved with substantial bipartisan majorities, point the way. Both nations represent great opportunities for U.S. exports. But those markets are on distant continents, where we will face daily challenges from entrenched European and Asian competitors. Central America and the Caribbean are on our doorstep; they know and want our products. Over half their imports *already* come from us – the highest proportion of any region in the world. These are ready, welcoming markets with built-in demand.

CAFTA-DR is an excellent agreement for American small business because it would lower transaction costs in these markets. Lower transaction costs mean more small businesses will find more sales that are profitable. Not only does CAFTA-DR lower tariffs, which will help all American companies cut their selling prices in the region, but it does away with numerous non-tariff barriers. Non-tariff barriers are especially harmful to smaller companies because they usually boil down to added fixed costs of doing business. Smaller companies, with lower sales and profits than larger companies, have fewer dollars across which to spread those fixed costs. A \$10,000 permit is a nuisance for a big company; it can be a show-stopper for a smaller one.

CAFTA-DR also would open up service sector sales by American companies – expanding the opportunities for a part of our economy that's humming with efficient

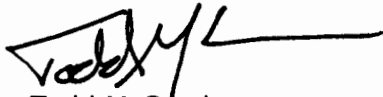
and innovative smaller companies. These companies are potentially world-class exporters.

And the agreement would give our companies expanded access to government procurement. Those government procurement contracts -- for roads, schools, clinics, and the like -- are often too small for major American companies to perform profitably. But they are just the kinds of contracts that our smaller construction companies, distance learning companies, and medical equipment companies (to mention but a few) can fulfill beautifully. Plus, American small business exporters often discover that sales to foreign government buyers are fairly easy to finance in this country.

With over 13,500 smaller American companies already selling their products in these markets, and with the small business *share* of U.S. exports to the region already one of the highest for any part of the world, U.S. small businesses clearly know how to get into these markets. The job now is to grow. And the CAFTA-DR agreement is essential for that.

We hope that Congress will rise to this opportunity and provide U.S. small business with the tools it needs by approving the CAFTA-DR agreement.

Sincerely,

A handwritten signature in black ink, appearing to read 'Todd McCracken', followed by a long horizontal line extending to the right.

Todd McCracken  
President